

## Assembly Bill No. 1797

### CHAPTER 558

An act to amend Sections 50783, 50784, and 50786 of the Health and Safety Code, relating to housing.

[Approved by Governor September 25, 2012. Filed with  
Secretary of State September 25, 2012.]

#### LEGISLATIVE COUNSEL'S DIGEST

AB 1797, Torres. Mobilehome Park Purchase Fund.

Existing law authorizes the Department of Housing and Community Development to make loans from the Mobilehome Park Purchase Fund to qualified mobilehome park residents, resident organizations, and nonprofit housing sponsors or local public entities to finance conversion of the parks to resident ownership and to make monthly housing costs affordable. Existing law limits the interest rate on loans to a rate of 3% per annum.

This bill would authorize the department to lower that interest rate if the department finds that it is necessary and will not jeopardize the financial stability of the fund. This bill would authorize the department to provide technical assistance to loan applicants, or to contract with a qualified nonprofit entity to provide that technical assistance, and to include the reasonable costs of that technical assistance as a part of the loan principal.

*The people of the State of California do enact as follows:*

SECTION 1. Section 50783 of the Health and Safety Code is amended to read:

50783. (a) The department may make loans from the fund to resident organizations for the purpose of financing mobilehome park conversion costs.

(b) Loans provided pursuant to this section shall be for a term of no more than three years and shall bear interest at a rate of 3 percent per annum, unless the department finds that a lower interest rate is necessary and will not jeopardize the financial stability of the fund.

(c) Loans provided pursuant to this section shall be for the minimum amount necessary to enable a resident organization to acquire and convert the mobilehome park. To the extent possible, the loan amount shall not exceed 50 percent of the approved conversion costs. However, the loan amount may be for up to 95 percent of the approved conversion costs attributable to the low-income households in the park when approved by the department.

(d) The department may grant approval to exceed 50 percent of the approved conversion costs only if both of the following are demonstrated:

(1) That the applicant has made an effort to secure additional funds from other sources and these funds are not available.

(2) That the project would not be feasible, as determined by the department, without a waiver of the 50-percent financing limitation.

(e) The total secured debt in a superior position to the department's loan plus the department's loan shall not exceed the value of the collateral securing the loan.

SEC. 2. Section 50784 of the Health and Safety Code is amended to read:

50784. (a) The department may make loans from the fund to (1) individual low-income residents of mobilehome parks that have converted to resident ownership, (2) resident organizations that have converted or plan to convert a mobilehome park to resident ownership, or (3) qualified nonprofit housing sponsors or local public entities that plan to acquire a mobilehome park, provided that no less than 30 percent of the spaces in the park are for occupancy by manufactured homes owned by low-income residents. The purpose of providing loans pursuant to this section is to reduce the monthly housing costs for low-income residents to an affordable level.

(b) (1) Any mobilehome park purchased by a local public entity with a loan pursuant to this section shall be transferred to a nonprofit housing sponsor or resident organization that has converted, or plans to convert, the park to resident ownership no later than three years from the date of loan closing, with all obligations under the loan assumed by the nonprofit organization or resident organization.

(2) If a local public entity has made a good faith effort, but has not been able, to transfer the park by the end of the three-year period, the entity may apply to the department for an additional three-year extension. Upon a determination by the department that the local public entity has made a good faith effort to transfer the park in accordance with paragraph (1), it shall have an additional three years from the expiration date of the first three-year period to consummate the transfer. The three-year extension shall only be granted once by the department for each loan to a local public entity.

(3) If a local public entity fails to make a good faith effort to transfer the park within the first three-year period, as determined by the department, or fails to transfer the park by the expiration date of the extended three-year period, it shall repay the loan in full to the department.

(c) Loans provided pursuant to this section shall be for a term of no more than 30 years and shall bear interest at a rate of 3 percent per annum, unless the department finds that a lower interest rate is necessary and will not jeopardize the financial stability of the fund.

(d) The department may establish flexible repayment terms for loans provided pursuant to this section if the terms are necessary to reduce the monthly housing costs for low-income residents to an affordable level, and do not represent an unacceptable risk to the security of the fund. Flexible

repayment terms may include, but are not limited to, graduated payment schedules with negative amortization.

(e) Loans provided to low-income residents pursuant to this section shall be for the minimum amount necessary to reduce the borrower's monthly housing costs to an affordable level. All of the following shall apply to loans to finance individual interests pursuant to this section:

(1) To the extent possible, loan amounts shall not exceed 50 percent of the acquisition costs of the individual interests in the mobilehome parks. However, the loan amounts may be for up to 100 percent of the acquisition costs of the individual interests in the mobilehome parks when approved by the department.

(2) The department may grant approval to exceed 50 percent of the acquisition costs of the individual interests only if both of the following are demonstrated:

(A) That the low-income resident has made an effort to secure additional funding from other sources and these funds are not available.

(B) That the low-income resident would be unable to purchase an individual interest without a waiver of the 50-percent financing limitation.

(3) The total indebtedness of the loan provided pursuant to this section plus any senior debt upon individual interests may not exceed 100 percent of the value of the collateral securing the loan, plus the amount of costs incidentally, but directly, related to the acquisition.

(f) Loans provided to resident organizations, qualified nonprofit housing sponsors, or local public entities pursuant to this section shall be for the minimum amount necessary to reduce the monthly housing costs of low-income residents to an affordable level. All of the following shall apply to loans made to resident organizations, qualified nonprofit housing sponsors, or local public entities pursuant to this section:

(1) To the extent possible, loan amounts shall not exceed 50 percent of the conversion costs attributable to the low-income spaces. However, the loan amounts may be for up to 95 percent of the conversion costs attributable to the low-income spaces when approved by the department.

(2) The department may grant approval to exceed 50 percent of the conversion costs attributable to low-income spaces only if both of the following are demonstrated:

(A) That the applicant has made an effort to secure additional funds from other sources and these funds are not available.

(B) That the project would not be feasible as determined by the department without a waiver of the 50-percent financing limitation.

(3) The total secured debt in a superior position to the department's loan plus the department's loan shall not exceed the value of the collateral securing the loan plus the amount of costs incidentally, but directly, related to the acquisition and, if applicable, rehabilitation of the park.

(g) Funds provided pursuant to this section shall not be used to (1) assist residents who are not of low income, (2) reduce monthly housing costs for low-income residents to less than 30 percent of their monthly income, or (3) facilitate the purchase of a park by a qualified nonprofit corporation or

local public entity from a public entity that had acquired the park prior to the commitment of the loan from the program.

(h) Subject to the restrictions of this subdivision, funds provided pursuant to this section may be used to finance the costs of relocating a mobilehome park to a more suitable site within the same jurisdiction if the department determines that the cost of the relocation, including any and all relocation costs to the affected households, is a more prudent expenditure of funds than the costs of needed or repetitive repairs to the existing park. Funds provided pursuant to this section shall not be used to relieve a park owner of any responsibility for covering the costs of mitigating the impacts of a park closure as may be provided for by local ordinance or pursuant to Section 65863.7 or 66427.4 of the Government Code.

SEC. 3. Section 50786 of the Health and Safety Code is amended to read:

50786. (a) The department shall adopt regulations for the administration and implementation of this chapter.

(b) The department shall obtain the best available security for loans made pursuant to this chapter. The security may include a note, deed of trust, assignment of lease, or other form of security on real or personal property that the department determines is adequate to protect the interests of the state. To the extent applicable, these documents and any regulatory provisions shall be recorded or referenced in a recorded document in the office of the county recorder of the county in which the mobilehome park is located.

(c) The degree of continuing regulatory control with respect to park operations and resident loans exercised by the department in making loans pursuant to this chapter shall be commensurate with the level of financial assistance provided and in all cases shall be adequate to protect the state's security interest and ensure the accomplishment of the purposes of the program authorized by this chapter. The regulatory requirements shall be set forth in a regulatory agreement, deed of trust, or other lien, and any violation of these requirements shall be considered a violation of a security document. If loans are made to a qualifying nonprofit housing sponsor or local public entity, a regulatory agreement shall be recorded against the mobilehome park. This regulatory agreement shall contain provisions limiting occupancy, rents, and park operation for the original loan term. The department may release individual spaces from the regulatory agreement only if they are purchased by residents who occupy them.

(d) Before providing financing pursuant to this chapter, the department shall require provision of, and approve, at least all of the following:

(1) Verification at the time of application and prior to funding that at least two-thirds of the households residing in the mobilehome park support the plans for acquisition and conversion of the park.

(2) Verification that either no park residents shall be involuntarily displaced as a result of the park conversion or the impacts of the displacement shall be mitigated as required under state and local law. For purposes of this requirement, compliance with Section 66427.5 of the

Government Code shall be conclusively presumed to have mitigated economic displacement.

(3) Verification that the conversion is consistent with local zoning and land use requirements, other applicable state and local laws, and regulations and ordinances.

(4) Projected costs and sources of funds for all conversion activities.

(5) Projected operating budget for the park during and after the conversion.

(6) A management plan for the conversion and operation of the park.

(7) If necessary, a relocation plan for residents not participating that is in compliance with Chapter 16 (commencing with Section 7260) of Division 7 of Title 1 of the Government Code.

(e) The department shall, to the greatest extent feasible, do all of the following:

(1) Require participation by cities and counties in loan applications submitted pursuant to this chapter.

(2) Contract with private lenders or local public entities to provide program administration and to service loans made pursuant to this chapter.

(3) Give priority to applications for resident-owned parks.

(f) The department may provide technical assistance to loan applicants, or may contract with a qualified nonprofit entity to provide that technical assistance, and may include the reasonable costs of the technical assistance as a part of the loan principal.